

Communication on engagement

Period covered by this Communication on Engagement: October 2018-
October 2020

Statement of Continued Support by the Board chair and the Managing Director

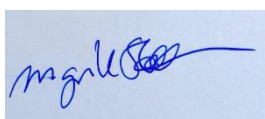
To our stakeholders:

October 30th, 2020

We are pleased to confirm that Ethical Trade Norway (Formally called Ethical Trading Initiative Norway (IEH)) reaffirms its support to the United Nations Global Compact and its ten principles in the areas of Human Rights, Labour, Environment and Anti- Corruption.

In this Communication of Engagement, we describe the key actions our organisation has taken to support the UN Global Compact and its principles over the last two years, in line with the suggestions for our kind of organisation. We commit to share this information with our stakeholders through our primary channels of communication.

Sincerely yours,



Ingvill Størksen
Chair of the Board



Heidi Furustøl
Executive Director

Description of Ethical Trade Norway

Ethical Trade Norway is a multi-stakeholder initiative founded in 2000 to protect workers' rights, human rights and the environment in global supply chains. In 2012, the fight against corruption was integrated in our core principles. In 2019 we added another principle – animal welfare – and we have now thirteen core principles. The composition of Ethical Trade Norway's founding members – one company, one union, one NGO and one business association - illustrates the joint understanding of cooperation across sectors as necessary. Improvements and collaboration with suppliers in order to achieve this is at the core of our approach.

As of today, a number of public sector entities have also joined the initiative, currently consisting of more than 165 members, of which 110 are companies. Our purpose is to promote responsibility in global supply chains in a way that ensures that international trade safeguards human and workers' rights, sustainable development and environmental care.

Our members commit to adopting ethical guidelines in line with Ethical Trade Norway's requirements, based on ILO conventions and relevant UN instruments. These are fully compatible with the UN Global Compact's ten principles as well as the UN Guiding Principles on Business and Human Rights (UNGPs). Our members commit to each year report publically on improvements and challenges as well as to promote the concept of ethical trade/responsible business conduct in general. Our members' reporting is based on UNGPs and the OECD guidance for responsible business conduct. In 2019 a brand new web-based reporting tool for members was launched and to our knowledge, this is one of very few mandatory due diligence reporting tools for business benchmarked against 11 objective criteria. Through trainings, resources, advice and facilitated collaboration and discussions we guide our members to identify issues, develop and implement innovative, long-lasting solutions beneficial for both workers, the environment and society.

Our 2020-2024 strategy is developed to assist our members to remain ethical leaders, confront exploitation at its source, influence policy and practice where it counts most, and encourage the voices of workers worldwide. UNs Guiding Principles on Business and Human Rights, OECDs guidance for responsible business conduct and the Sustainable Development Goals provide the overarching frame for our strategy. Moreover, in order to achieve the SDGs responsible business conduct is crucial. In our work key measures of success is that workers can negotiate independently and effectively for a better working life where their rights are respected, that public entities are a driver for ethical procurement and that reduction of greenhouse gasses and environmental care have improved in our members supply chains.

II Description of actions

Ethical trade Norway's purpose and all our work are encompassed within the Global Compact's ten principles. Thus, all our actions are aimed at guiding – and nudging – businesses and other members, to internalise these principles into their everyday operations.

Some key actions over the last two years are:

i. Increasing support for ethical trade/responsible business conduct

One of our key objectives is to increase the support for ethical trade which equals OECD's concept of responsible business conduct, and the implementation of Global Compact's ten principles. This means increasing the number of companies that, through joining the Ethical Trade Norway as members, have committed to work systematically and continuously to improve working conditions, environmental care and to fight corruption in their international supply chains. It also means **advocating for appropriate legislative measures** as well as engaging in the public debate. In November 2019 the government appointed Ethical Information committee submitted the draft legislation on Supply Chains Transparency Act on mandatory due diligence on human rights (and other duties). Ethical Trade Norway's Executive Director was part of the committee. To ensure the competitiveness of Norwegian enterprises, the duties are harmonised

with requirements imposed internationally such as UNGPs and OECDs Guidelines as well as EU requirements. The draft will enhance Norway`s efforts to meet the UN Sustainable Development Goals and the Parliament will probably adopt the law before summer 2021. As part Ethical Trade Norway`s membership commitment our members must do mandatory due diligence on human rights and environment and thusly are well positioned if the draft is adopted.

Accumulated, the public sector is the single largest buyer in many countries, as in Norway. Since 2008, Ethical Trade Norway has been working proactively, together with a few and committed public entities, to integrate respect for labour rights in public procurement. Ethical Trade Norway has for many years advocated human rights in public procurement and finally it was included in the **Norwegian legislation in 2017** (due to an EU Directive). Thus, there has been an increase of members doing business with the public sector and as a whole public entities are now more aware of ethical procurement, but there is still a lot of work to be done. Ethical Trade Norway was active in the making of the White Paper on state owned enterprises submitted to the Parliament in November 2019. The government now requires state owned enterprises to conduct mandatory due diligence on human rights and the environment and they will do their first reporting probably in 2021.

ii. **Strengthening mandatory due diligence: Performance and Benchmarking tool**

Responsible business conduct starts with a company`s value system and a principled and holistic approach to doing responsible business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. Working with companies` value systems, culture and policy can be hard and time-consuming. This is however key to success. In 2014, Ethical Trade Norway launched a Performance and Benchmarking tool which gave members a benchmark against own performance as well within the sector. In 2019 we made a new web-based Reporting and Benchmarking tool based on the OECDs due diligence guidance for responsible business conduct. We benchmark our members against 11 objective criteria as a minimum requirement. Within a period of two years all members must meet the minimum standard as part of their membership obligations. To

our knowledge, our mandatory due diligence reporting is one out of few reporting tool based on the OECD due diligence methodology for business.

The due diligence minimum standard and KPI's used in the tool gives Ethical Trade Norway and members a benchmark against the leading international standard for responsible business conduct and with other member-sectors. For Ethical Trade Norway this means a closer follow- up with our member companies. For companies it has meant a clearer concept of what is expected of them, and the dialog and support from Ethical Trade Norway is strengthened. For Ethical Trade Norway's many SME-members this is a valuable tool also for brand reputation and competitiveness.

iii. **Strengthening social dialogue and worker representation**

Over the last years, we have made new and pioneering efforts related to Global Compact's principle no. 3 on core labour rights. The lack of freely elected worker representation is one of the root causes behind poor labour conditions. We initiated a pilot program on strengthening worker – management dialogue, part of it jointly with our sister organisations Ethical Trading Initiative (UK) and the Danish Ethical Trading Initiative, focusing on Bangladesh and Vietnam. Through our members supply chains, and in close coordination and collaboration with local unions, businesses and relevant authorities, the project carries out trainings on workers' rights, facilitation of workers' elections as well as on how to engage in a constructive worker- management dialogue. This project is now in its second phase and hopefully we will receive renew funding from Norad (the Norwegian Agency for Development Cooperation) for these improvement projects, which is linked to our due diligence approach. Due diligence is first and foremost preventive: avoid causing or contributing to adverse impacts on people, the environment and society and to prevent these impacts directly linked to operations, products and services through business relationships.

iv. **Training in rights and responsibilities**

Ethical Trade Norway is collaborating with a Swedish company QuizRR on a digital training and educational tool aimed at increasing awareness and knowledge of worker's rights and obligations. QuizRR stands for Quiz Rights & Responsibilities and is developed for workers and managers at all levels in a

processing factories. Ethical Trade Norway has started a pilot project combining face to face training with QuizRR's e-learning solutions. Blended Learning is a very promising tool in order to improve workplace dialogue and worker representation in businesses supply chains.

v. **Strengthening practices in the Vietnamese cashew nut industry**

As part of our due diligence work, we have engaged in the Vietnamese cashew nut industry and established trainings on social dialogue and other production improvement efforts. The project has received funding from Norad. Read more about the project here: <https://etiskhandel.no/article/impressed-by-openness-in-the-vietnamese-cashew-nut-supply-chain/>

vi. **Sustainability-17: an innovative public procurement project**

Sustainability-17 (called after SDG 17 Partnership) is an innovative public procurement project on sustainable procurement is an innovative pilot project lead by Ethical Trade Norway and public enterprises and bodies. The project shall deliver sustainable and efficient procurement of high quality, promoting respect for fundamental human rights in high risk procurements. Read more here: <https://etiskhandel.no/article/samarbeid-og-koordinering-om-a-fremme-arbeidstakerrettigheter-og-menneskerettigheter-i-risikoanskaffelser-sok/>

vii. **Wool & mohair industries in South Africa - A due diligence study on labour practices and sustainability issues**

Ethical Trade Norway has started a pilot project in South Africa, as part of our due diligence approach. The project consists of our members, as well as local multi stakeholders and hopefully with new external funding we can develop the project further. A report was done and the Study aimed to identify the risk of labour issues and improve social and environmental conditions in participating companies' supply chains of South African wool and mohair, all the way from farm to processing. Importantly, it also aimed to catalyse and effect improvements in the South African wool and mohair industry that benefits both workers and farmers, adding to the work on sustainability that is already being done in and by the sector. The project was funded by Norad. To read the full

report: https://etiskhandel.no/wp-content/uploads/2020/09/IEH_duediligence_web_FINAL.pdf

viii. **Covid-19 portal and Country briefings - human rights due diligence process**

Ethical Trade Norway is continuously updating existing reports and developing new country briefings as part of our members' risk assessment and due diligence work. The UN Guiding Principles on Business and Human Rights (UNGPs) and the OECDs guidance on due diligence for responsible business conduct provides a compelling framework for a risk-based approach to people, planet and society. Our due diligence approach provides the conceptual framework for country briefings. The thirteen clauses of Ethical Trade Norway's Base Code providing the scope for country briefings, focusing especially on to Global Compact's principle no. 3 on core labour rights.

During the outbreak of covid-19 pandemic, there was and still is great need for updated risk intelligence information for companies carrying out due diligence. Thus, we made our intelligence briefs available for all and a covid-19 portal with country updates, tools and resources for free. The portal can be found at our web-pages: <https://etiskhandel.no/covid-19/>

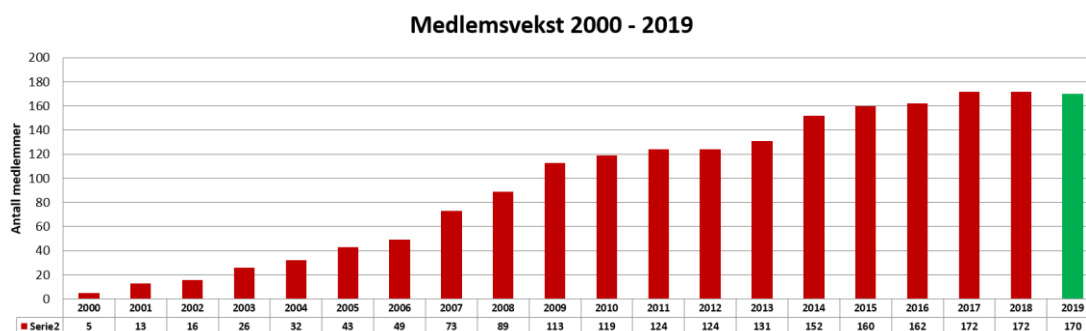
III Measurement of outcomes

i. Increasing support for ethical trade

Ethical Trade Norway's member base has been continuously growing since the foundation in 2000, committing to the principles and our member program. A large part of Ethical Trade Norway's new members are either public sector entities or suppliers to public sector. In 2017 an important milestone was reached when the Norwegian law on public procurement was implemented demanding public procurement taking "...appropriate measures on ethical and environmental conditions in the supply chain shall be applied in high risk procurements...". Ethical Trade Norway has since the law was passed been training public entities in public procurement according to the new law. Through 2018 and until now, we experience an increased focus on sustainable and responsible sourcing, from public procurers as well as from the numerous private companies supplying, or

aiming at supply to, public bodies. Our membership base also shows that we now have bigger company members, but this is not reflected in the diagram below.

Progress in our total membership base 2000-2019

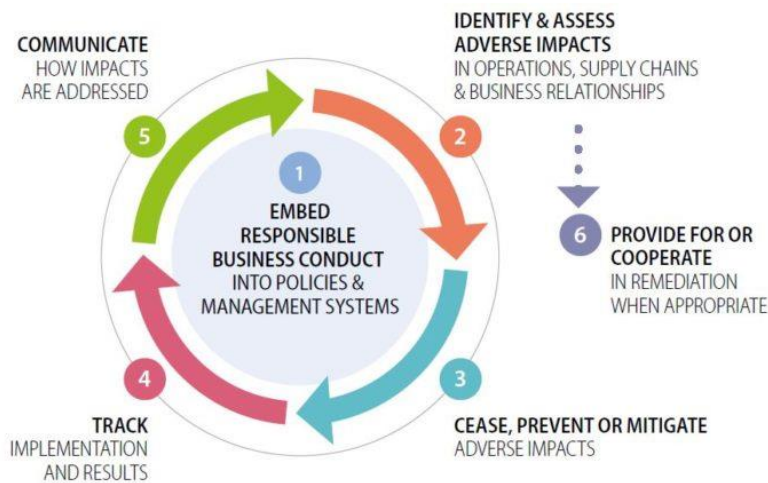


By October 2020 the member base accounts for 165 members.

ii. **Performance and Benchmarking tool**

By incorporating Ethical Trade Norway’s base code, including Global Compact principles and OECDs due diligence approach into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success. The visibility of poor (or poorer compared to others) performance is often a main driver for company leaders to change. As a result, companies are more aware of Ethical Trade Norway's, and hence Global Compacts, expectations, and we see positive changes in their actions to comply, and become leaders in their business segment.

Ethical Trade Norway's model for responsible business gives companies a good overview of which activities are appropriate at which stage of the process. With our minimum criteria for due diligence which our member must meet within two years, we can measure companies’ performance on ethical trade. Next step is to develop objective criteria for next levels of due diligence performance in order for enterprises to become leading on due diligence.



iii. **Strengthening social dialogue and worker representation**

The pilot on worker- management dialogue have reached more than 30 000 workers and management on 16 factories in Vietnam and Bangladesh. Now we are in our second phase and the results have created a demand from more factories and buyers in particular in Bangladesh, and has also spurred the interest from the ILO Better Work programme and the Accord for building and fire safety in Bangladesh for future coordination, mutual learning and complementary actions.

For our members we have developed guidance on ILO labour rights and our base code as well as conducting trainings and workshops for our members. Freely elected worker representation and trade unions are an important part of our due diligence work and members are required to actively support social dialogue and worker representation.

